

February 1, 2012

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2501 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2501 is respectfully submitted to your committee.

HB 2501 would exclude trade fixtures from the definition of real property, real estate, and land when determining the assessed valuation of real property. The bill defines "trade fixture" as those articles or items used in a trade or business whether or not placed upon and permanently affixed to real estate. Trade fixtures include commercial and industrial machinery and equipment placed upon or permanently attached to owner occupied or leased real estate and directly used in conducting trade, business, commercial, industrial, manufacturing or processing activities.

Passage of HB 2501 has the potential to decrease property tax revenues by eliminating certain property tax assessments on trade fixtures. Any local government that levies a property tax would receive less revenue and revenue would also decrease to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive less property tax revenue through the state's uniform mill levy, the state provides more state aid through the school finance formula.

The Department of Revenue indicates that in tax year 2010, the total assessed value for commercial and industrial real property was approximately \$6.7 billion, which generated \$134.0 million for the 20 mill statewide property tax levy for education. However, the Department does not have data on how much of the current assessed valuation of commercial and industrial real property includes assessments on trade fixtures; therefore, a precise estimate of the amount of decreased property tax revenue and its effect on local and state revenues cannot be estimated.

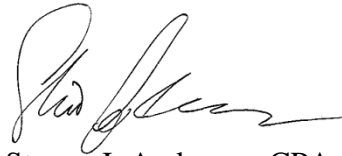
The Honorable Richard Carlson, Chairperson

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Any fiscal effect associated with HB 2501 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Dale Dennis, Education
Larry Baer, League of Kansas Municipalities
Melissa Wangemann, Kansas Association of Counties